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SUBJECT: RGOB NON-COMMITTAL ON SUPPORT FOR UNCHR RESOLUTION
AGAINST CUBA, RESOLVED ON FURTHER DEMOCRATIZATION

Classified By: DCM Robert O. Blake, Jr., for Reasons 1.4 (B, D)

11. (C) Summary: In an April 7 meeting with Bhutanese Foreign Secretary Neden Zangmo, DCM urged the Royal Government of Bhutan (RGOB) to support a UNCHR resolution against Cuba noting that Bhutan's vote could be decisive. The FS was non-committal citing the support Cuba had provided Bhutan in the ongoing Bhutanese refugee matter. The FS also noted that the Bhutanese Parliament is expected to ratify the Chemical Weapons Convention (CWC) in June, and explained that the December 22, 2003 disturbances in the refugee camps in Nepal and the introduction of Bhutan's draft constitution had slowed Bhutan's implementation of its commitment to repatriate Category 1 refugees from Nepal. In a later meeting with the UNDP resident representative, the res rep said most Bhutanese oppose the draft constitution's proposed introduction of a multi-party system because of skepticism about the recent checkered history of multi-party democracy in Nepal and Bangladesh. The editor of Bhutan's national newspaper, Kuensel, agreed but predicted that the King is so trusted that he is likely to convince the Bhutanese people to approve the constitution, perhaps as a gift to the King in 2007 on the 100th anniversary of the Monarchy. End Summary.

Meeting with Foreign Secretary

12. (C) DCM opened the meeting by welcoming the strong relations between the U.S. and Bhutan, expressing appreciation in particular for Bhutan's ratification of the Article 98 Treaty. The Foreign Secretary responded that while Bhutan does not have diplomatic relations with the Perm 5, it nonetheless depends on the goodwill and friendship of the United States and other Perm 5 members. She noted that she herself had participated in a 1990 International Visitors Program visit to eight states in the United States that she had benefited a great deal from.

Tourism/Construction Now Employer of Choice

13. (C) DCM asked the Foreign Secretary about Bhutan's top priorities. FS responded that providing youth employment is the RGOB's major challenge. Whereas previously young graduates could count on a job in the civil service, the King had capped the civil service size at 17,000 positions to keep government small, compact and efficient. This meant that the bulk of new job opportunities would need to come from the private sector. Asked which industries could provide new jobs, the FS identified construction and tourism as key sectors. She noted proudly that 3,000 tourists had visited Bhutan in the first quarter 2005 compared to 9,000 for all of 2004. The RGOB's priority remained to attract a relatively low volume of high spending tourists. DCM commented that the new Aman resorts in Bhutan had attracted widespread favorable press in the U.S. that would help Bhutan in this goal.

Royal Road Show to Consult People on Draft Constitution

14. (C) Regarding constitutional reform the FS placed the draft constitution in the context of the King's policy to steadily devolve power from the monarchy to democratic institutions. The draft constitution was now being circulated to every household in Bhutan after which the King plans to visit every district to hear the views of his people. The constitution's highlight is the creation of multi-party system. The FS noted that the introduction of the constitution had been delayed by the 2003 campaign against the ULFA. She predicted the King's consultations would take at least a year, possibly longer. She confessed to a certain personal apprehension about the introduction of political parties since she and most Bhutanese reposed great confidence in the King and concern about the experience of political parties in other parts of South Asia (see below for UNDP comments that many Bhutanese share this apprehension). Indian Hydro Projects Boost Economy

15. (C) With respect to the economy the FS commented that growth continues between 5-6% annually. She noted that the coming on line of the Tala hydro power project in 2006, funded through a mixed credit from the Government of India

would give a further boost both to growth and exports, of which power was by far the most important. The FS candidly noted the Bhutanese hydro power projects had boosted Bhutan's per capita income to \$800, but that most families were poorer than this figure implied. (Comment: CIA's Factbook cites a \$1,300 per capita GDP. In any case, this figure will climb dramatically in the next few years as new hydro projects come on line. End Comment.)

16. (C) DCM inquired about the RGOB's progress in its campaign against ULFA. The FS hailed the success of the 2003 campaign in removing all 30 camps from Bhutanese territory. She reported that the RGOB continues to have regular counter-terrorism meetings with India to monitor the ULFA threat. As to the situation in Bangladesh, she noted that Bangladesh is Bhutan's largest trading partner after India and that instability there does have an impact on Bhutan.

Complications For Repatriating Bhutanese Refugees

17. (C) Turning to Nepal the DCM noted that the United States is disappointed with the lack of progress in repatriating Bhutan Category 1 refugees from the refugee camps in Nepal. The FS responded that Bhutan remains committed to repatriating Category 1 refugees but that the December 22, 2003 incidents in the camps had slowed down the process. She further noted that Nepal also had to agree and that Bhutan had heard nothing from the Nepalese. She added that Bhutan is at a delicate juncture with the introduction of a new constitution and can ill afford instability at this sensitive stage. She noted that FM Wangchuk had explained this in a recent call with AS Rocca, in which they had agreed that the State Department would instruct Ambassador Mulford to meet with Bhutanese Ambassador Tshering in Delhi on both Bhutanese refugees and Cuba human rights issues.

UNCHR Vote on Cuba

18. (C) DCM expressed appreciation for Bhutan's abstention on the 2004 Cuba UNCHR resolution and predicted another very close vote on April 14-15. He outlined evidence that Cuba's human rights record had deteriorated in the last year and urged Bhutan to support a resolution condemning Cuba for its abysmal record. FS replied that even an abstention poses a very difficult problem for Bhutan because of the support Cuba has extended Bhutan on the Bhutanese refugee issue. The DCM reiterated that Bhutan's vote would be critical to the United States and many other countries and could be decisive.

19. (C) Before leaving DCM urged that Bhutan ratify the Chemical Weapons Convention as soon as possible. The FS noted that she expects the Bhutanese parliament to ratify the CWC in June.

Meeting with UNDP

10. (C) DCM subsequently met for a wide-ranging discussion with UNDP Resident Representative Renata Lok Dessallien (protect) who has lived in Bhutan for three years. DCM again began by hailing the warm but limited relations between the U.S. and Bhutan. Dessallien laughed and said Bhutan has its hands full managing relations with India and China, and is understandably reluctant to establish relations with the Perm 15. She explained that India is active at all levels in Bhutan, sometimes excessively so. She noted, for example, that when the King had asked foreign governments and international institutions such as the UNDP for advice on the draft constitution three years ago, India immediately dispatched constitutional advisors to Bhutan and made clear that it would not look favorably on Bhutan receiving assistance from other countries. As a result, the UNDP had worked quietly behind the scenes to arrange for informal advice that took place under the Indian radar.

Skepticism on Multi-party Democracy

11. (C) DCM remarked that he had detected skepticism on the part of Bhutanese officials regarding the King's intention to introduce a multi-party system into Bhutan. Dessallien responded categorically that there is not a single interest group in Bhutan that favors radical political change. She said the whole country has been "buzzing" since the draft constitution was released on March 26. Most Bhutanese that she had spoken with had questioned where in South Asia multi-party democracy had succeeded, citing the problems in Nepal, Bangladesh and even India where Bhutanese see a functioning democracy marred by growing corruption and very slow decision making. She said the King is banking on convincing his countrymen on the need for further devolution of power to guard against capricious actions by the Monarchy such as those by the King in Nepal. (Note: In a subsequent lunch with the editor of Bhutan's national newspaper,

Kuensel, the editor agreed with Dessallien's views but predicted that the King is so trusted that he is likely to convince the Bhutanese people to approve the constitution, perhaps as a gift to the King in 2007 on the 100 anniversary of the Monarchy. End Note) Highlighting other elements of the King's efforts to preserve good governance Dessallien cited the King's strong efforts to punish corruption in government and establish special commissions to address corruption and human rights. She also praised the penal code passed in 2004.

Economic Challenges: Raise Literacy, Diversify Economy

12. (C) Dessallien said Bhutan is making good economic progress but faces important challenges. She expressed concern about low literacy and the poor quality of primary education. She was less concerned about employment, since unemployment is only about 5%. Bhutan's greater challenge is to diversify its economy. The country faces structural obstacles because of its small market and low economies of scale that provide few opportunities for private companies. She noted that some Bhutanese hope to develop niche markets, such as call centers but also explained that Bhutan's unique ethos of "gross national happiness" and its Buddhist philosophy sometimes take priority over private initiatives. A private American effort to establish a small company in Bhutan to manufacture and market fly fishing hooks and flies, for example, had foundered when Bhutanese groups had pointed out to the government that such equipment would kill fish (fishing is heavily restricted in Bhutan). Project advocates countered that most fly fishermen catch and release their fish, but this argument did not carry the day.

Cable TV) Too Much of a Good Thing?

13. (C) DCM asked how the introduction of cable television and the internet in 1999 had affected Bhutanese society. Dessallien responded that while internet usage was still relatively small, many Bhutanese households now had access to cable and that the sudden introduction of half naked models on Fashion TV, Indian soap operas and western movies had had a revolutionary and (many Bhutanese people believe) negative impact. Drug use, sexually transmitted diseases and AIDS all were on the increase, although precise figures are not available.

US Scholarships Needed

14. (C) DCM asked how the United States might usefully help Bhutan if funds become available. Dessallien responded that there is universal admiration in Bhutan for America's higher education system and that scholarships were in great need and would have a lasting and sustained impact on Bhutan. She cited Australia's strong program over many years to provide scholarships for Bhutanese. Asked how the Australians screen potential applicants with no staff on the ground, Dessallien responded that the Royal Civil Service Commission does a good and unbiased job of doing so.

MULFORD